

19 Options for Retirees

"Option" is the term used to describe how your retirement allowance is allotted. Your allowance must be paid to you in lifetime monthly payments, but the apportionment of those payments will differ depending upon your option selection. Option choice also determines what benefits, if any, will be paid to survivors after a retiree's death.

MAKING A CHOICE

→ *What factors should influence a member's choice of option?*

Your health and age at retirement, income from other sources, financial obligations, and the need to provide for others that may survive you are some of the factors that you should consider carefully. Your decision should not be made on the basis of what options are the most popular, or the one chosen by a friend or acquaintance. It should be based on your own personal needs.

→ *Are there any restrictions on my election of an option?*

No, there are no restrictions. Any member is free to select either Option A, Option B, or Option C upon retirement.

→ *When must I make my option selection?*

You must choose an option before the date your allowance becomes effective. Retirement board staffers are available to thoroughly discuss options with you prior to that date. If you refuse or fail to select an option before the date your retirement becomes effective, the law provides that you shall be retired under Option B.

→ *May I change my option choice?*

You are not permitted under any circumstances to change your option selection after your retirement becomes effective.

SPOUSAL ACKNOWLEDGMENT

→ *Must my spouse acknowledge my option election?*

Retirement boards must provide members and their spouses with detailed information regarding benefit options to help them make informed decisions.

A married member's *Choice of Retirement Option Form at Retirement* must be signed by the member's spouse to acknowledge the spouse understands the option chosen. If a married member files a *Choice of Retirement Option Form at Retirement* that has not been acknowledged by his or her spouse, the retirement board is required to notify the member's spouse of the option selected within fifteen days by registered mail.

Thirty days after the member's spouse has been notified as provided above, the option will take effect. The effective date of the member's retirement will not be affected by the requirement that spousal acknowledgment must be requested.

OPTIONS AVAILABLE AT RETIREMENT

OPTION A

Benefits Paid to Member Only

Election of Option A means that you will receive your full retirement allowance in monthly payments as long as you live. All allowance payments will cease upon your death and no benefits will be provided for your survivors.

OPTION B

Potential Benefit for Beneficiaries

Option B provides you with a lifetime allowance which is approximately 1% to 5% less per month than Option A. The annuity portion of your allowance is reduced to allow a potential benefit for your beneficiary(ies). Upon your death, your surviving beneficiary(ies) of record, or if there is no beneficiary living, the person or persons appearing in the judgment of your retirement board to be entitled thereto will be paid the unexpended balance of your accumulated total deductions, if any, from the annuity reserve account.

→ How soon would my contributions be depleted?

Although your retirement allowance is not reduced because of the depletion of your accumulated deductions, it is generally the case that your deductions are used up within eight to twelve years of your retirement, depending upon your age at retirement. Any remaining balance is to be paid to your beneficiary (ies) in the event of your death.

→ Is my choice of beneficiary limited under Option B? Can I change beneficiaries?

No. Under Option B, you may designate any person(s) or charity or institution as your beneficiary. You may name more than one person or charity or institution as a beneficiary in differing percentages.

Although your option selection may never be changed, if you choose Option B you may change your beneficiary at any time after retirement.

OPTION C

Joint and Last Survivor Allowance

Option C is also known as the joint and last survivor allowance. Selecting this option means that the allowance payments that you would receive during your lifetime would be approximately 7 to 15% less than those you would receive under Option A. Upon your death, your designated beneficiary will be paid a monthly allowance for the remainder of his or her lifetime. That allowance will be equal to two-thirds of the allowance which was being paid to you at the time of your death.

→ What determines the monthly payments of an allowance payable under Option C?

The monthly allowance you receive under Option C depends upon life expectancy factors for both you and your designated beneficiary.

→ Who may I name as a beneficiary under Option C?

You may name only one beneficiary under Option C. The eligible beneficiaries are limited to your spouse, your former spouse (provided he or she has not remarried at the time the Option C benefit becomes payable to you), your child, your parent, or your sibling.

→ May I change my Option C beneficiary?

You may not change your Option C beneficiary after your retirement becomes effective.

→ If my spouse dies after receiving allowance payments under Option C, will benefits then be payable to our children?

Each child would be eligible to receive an equal share of the allowance his or her parent had been receiving. However, payments to children in these circumstances are of limited duration. Payments would be made to the legal guardian of each child and would cease upon the child's 18th birthday.

OPTION C "POP UP"

→ How does my allowance change under Option C if my beneficiary dies before I do?

Application Filed on or After January 12, 1988

If your allowance is the result of a retirement application filed on or after January 12, 1988, and your Option C beneficiary dies on or after that date and before you die, you will thereafter be paid the full retirement allowance you would have received had you elected Option A at the time your retirement allowance became effective. You cannot select a new Option C beneficiary or a different option. (This conversion is commonly referred to as the Option C "Pop-Up".) Any cost-of-living increases that have been granted since your Option C retirement became effective will be reflected in your newly established Option A allowance. All payments will cease upon your death.

Retirement Before January 12, 1988

For retirees whose retirement became effective before January 12, 1988, and who chose Option C and who are predeceased by their beneficiaries, availability of the Option C "Pop-Up" benefit is determined by their respective retirement board's (and relevant "legislative body's") acceptance of a local option established by Section 288 of Chapter 194 of the Acts of 1998. Under Section 288, such adjustments must be made prospectively from July 1, 1998. No payment can be made relative to the period, if any, from the date of the death of the beneficiary to July 1, 1998.

Effect of Divorce on Option C Beneficiary

→ Does divorce following retirement change the status of my former spouse as my Option C beneficiary?

He or she will continue to be your Option C beneficiary even if you are divorced after retirement.